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Viewing cable 09PARIS1553, FRANCE/BRAZIL: THE ECONOMIC AGENDA

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- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
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Reference ID	Created	Released	Classification	Origin
09PARIS1553	2009-11-23 16:52	2011-08-30 01:44	CONFIDENTIAL	Embassy Paris

Appears in these articles:

<http://www.semana.com/mundo/wikileaks-venezuela-misterioso-vinculo-entre-caracas-teheran/158978-3.aspx>

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FM AMEMBASSY PARIS
TO RUEHC/SECSTATE WASHDC 7582
RUEHBR/AMEMBASSY BRASILIA 2344
RUEHRI/AMCONSUL RIO DE JANEIRO 0002
RUEHRG/AMCONSUL RECIFE 0002
RUEHSO/AMCONSUL SAO PAULO 0001
INFO RUEHBS/USEU BRUSSELS 2754
RUCNMEM/EU MEMBER STATES COLLECTIVE
RUCPDO/USDOC WASHDC
RUEATRS/DEPT OF TREASURY WASHINGTON DC

C O N F I D E N T I A L SECTION 01 OF 03 PARIS 001553

STATE PASS USTR

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E.O. 19528: DECL:11/19/19
TAGS: [ECON](#) [PREL](#) [EINV](#) [BEXP](#) [ETRD](#) [EAID](#) [SENV](#) [FR](#) [BR](#)
SUBJECT: FRANCE/BRAZIL: THE ECONOMIC AGENDA

Ref A)Paris 1526; B) Brasilia 533; C) State 104985; D) Paris 1520; E)Paris 1099

CLASSIFIED BY ECON MINISTER COUNSELOR SETH WINNICK, REASONS 1.4 (B AND D)

¶1. (C) SUMMARY: Behind the cultural exchanges and warm diplomatic relations with Brazil (Ref A), France is embarking on a long-term strategy to court a country it sees as a resource-rich future global powerhouse and foothold in Latin America. Since the 2005 "Year of Brazil in France," commercial ties have flourished between the two countries, and now 35 of the top 40 French companies operate in South America's largest economy, focused on the energy, transportation, and defense sectors. Brazil named 2009 "The Year of France in Brazil," an effort that ended this month, to further institutionalize this relationship. Under France's new public diplomacy strategy, dedicating one calendar year to cultural and economic cooperation with a specific country has become a diplomatic tool to strengthen or improve economic as well as political ties in emerging markets. Beyond bilateral military and civilian economic cooperation, the North-South firepower of the Franco-Brazilian strategic partnership may extend globally into the G-20 and the UN Security Council and the International Monetary Fund, as well as work on climate change issues for the upcoming Copenhagen Summit. End Summary.

Substantial Economic Growth Between 2005 and 2009

¶2. (SBU) As President of the EU Council, Nicolas Sarkozy used the second E.U.-Brazil Summit in December 2008 to reinvigorate ties with Brazil. He and Brazilian President Luiz Inacio Lula da Silva agreed on an Action Plan for the Implementation of a Strategic Partnership (2008 Action Plan) that laid out broad areas for an enhanced civilian and military partnership. Brazil then hosted the "Year of France in Brazil" in 2009 -- a year packed with eight presidential meetings or visits, four summits, and the creation of several high-level public-private working groups focused on the economy, commerce, civilian nuclear energy, biodiversity, and climate change. According to the French employer's union (MEDEF), both countries saw a "window of opportunity" to replace the EU-Mercosur relationship after trade negotiations with Mercosur stalled. In March 2009, Brazil established a chamber of commerce in Paris, complimenting the century-old French chamber in Brazil. France's Junior Minister for Trade Anne-Marie Idrac, bolstered by French transportation and financial industry leaders, led talks with Brazilian counterparts on investment in France and cooperation on (Brazilian) bio-fuels and (French) nuclear energy in May 2009. During President Sarkozy's visit to Brazil in September 2009, he signed a Joint Declaration with President Lula that built on the 2008 Action Plan and laid out more specific measures and areas of cooperation.

¶3. (U) Franco-Brazilian commercial activity has multiplied since 2005. The rising level of investment between the two countries centers on complementary industrial interests and needs, with a focus on manufacturing, chemicals, metal production, and services, including transportation. From 2005 to 2008, Ubifrance, France's agency for international business development, reported that Brazilian exports to France grew 39 percent (from 2.8 billion euros to 3.9 billion) and French exports to Brazil increased by 59 percent (from 2.2 billion euros to 3.5 billion) While the overall volume of trade is roughly balanced, the relative importance of the two trading partners to each other is not. France was Brazil's eighth-largest trading partner in 2008, while Brazil represented less than one percent of France's bilateral trade. France has made Brazil a priority developing country destination for foreign direct investment (FDI), investing close to USD 15 billion in 2008, a 50 percent increase from 2004. While Brazilian FDI in France is only half of French FDI in Brazil, it has doubled over the last four years. Ubifrance said approximately 350 French companies employed more than 250,000 people in Brazil as of October 2008. (Note: The French MFA provided figures of 400 companies and 400,000 people. End note.) More than 400 other French companies expressed interest in Brazil following "The Year of France in Brazil," according to the MFA's Brazil desk. Roughly 30 Brazilian companies and subsidiaries operate in France.

Military Sales and Technology Transfer Take Off

14. (U) Since signing the 2009 Joint Declaration in Brasilia, the first products of the strategic partnership were two major military sales in the form of a combined USD 12 billion helicopters and submarine package. A third military deal (the Rafale jet sale -- Ref

A) is under consideration. According to Brazilian officials, technology transfer provisions were key elements in all of these deals. The Joint Declaration outlines further cooperation in developing unmanned vehicles and better communication and territorial surveillance networks along maritime and terrestrial borders, including the border between French Guyana and Brazil.

Cooperation in Nuclear Energy, Transportation, Biodiversity, and Policing

15. (U) Civil nuclear energy and transportation infrastructure development form two of the four major civilian pillars of the 2008 Action Plan. France's nuclear energy giant, Areva, is supplying instrumentation for the currently inactive Angra III nuclear reactor (Brazil's third). Areva and Brazil's Electronuclear plan to co-manage the reactor, which is expected to come online again by 2014 after a 23-year hiatus and generate about 1,350 MW (Ref B). Brazil also expects France to provide further expertise and training programs in nuclear energy development, and the Action Plan expresses hope for the construction of new nuclear reactors. Brazil gets almost half of its energy from oil, 36 percent from hydroelectric dams and seven percent from natural gas. French industry leaders GDF Suez, Electricite de France, and Suez Environnement all have hydroelectric subsidiaries in Brazil. GDF Suez currently leads private sector electricity production in Brazil, with hydroelectric output of more than 7,000 MW of power capacity. The company's CEO, Gerard Mestrallet, co-chairs the high-level bilateral commercial group created under Trade Minister Idrac. Sustainable transport is one of the group's chosen sectoral themes; France's Alstom is currently developing tram and metro infrastructure in Sao Paulo and Brasilia, and hopes to begin building a high-speed train line between Rio de Janeiro, Sao Paulo and Campinas by 2014. To facilitate cross-border trade and transport, the state of Amapa and French Guyana are building a bridge over the Oyapock River.

16. (SBU) Concerns related to policing 700 kilometers of rainforest border between French Guyana and Brazil has reinforced cooperation in border enforcement and management of Brazil's biodiversity, both on the border and in the entire Brazilian Amazon. Brazil recently signed a bilateral protocol on managing and developing its forest resources after extensive lobbying by France. The agreement envisions future economic exploitation by French companies. Some of this cooperative management may be achieved through a Franco-Brazil Amazonian research center, consisting of a network of researchers that would promote technological development and the transfer of scientific and technical knowledge and training. The Joint Declaration also calls for mindfulness of international agreements, including those on intellectual property. French Guyana and Brazil are also working toward an accord to fight illegal gold mining on the border and related clandestine immigration. The MFA also noted that French law enforcement trainers are helping Brazil prepare for the security of the upcoming soccer World Cup and Olympic Games; the MFA official expected France to "gobble up" the upcoming security contracts in a tender offer.

How France is Building This Relationship

17. (C) A network of new and preexisting public and private organizations reinforce the Franco-Brazilian strategic partnership from the federal to the local level. Vice President of the French Senate Marquis Roland du Luart, who chairs the Senate Franco-Brazil Friendship Committee, predicted that Brazil will be one of the world's most important countries during the next 50 years. Du Luart said Brazil compared favorably to other South American countries like Argentina where French investments failed. At the regional level, state governments forged cooperative relationships with French regions during the past decade along technical strengths; the Parana and Rhone Alps regions cooperate on common high-tech initiatives, and Brasilia and Montpellier work together on transportation efforts (with assistance provided by Alstom). Brazilian regions also partnered with Aquitaine on aeronautics and Ile-de-France on airports. The 2009 Joint Declaration also calls for partnerships

between French and Brazilian public agencies and high authorities with an emphasis on scientific research, agricultural enterprise, economic development, and financial regulation via central banks.

An Asymmetric, But Strategic Relationship

¶9. (C) Brazilian embassy officials in Paris told Econoffs that Brazil recognizes the asymmetrical nature of the strategic partnership and understands that France could reap proportionally greater profits and gain access to previously tightly-controlled Amazonian resources. But Brazil is willing to make this bargain in exchange for international recognition of its ascendancy to the global stage. The Brazilian officials also said that despite the imbalance in Brazilian and French bilateral operations, France guaranteed technology transfer, unlike the United States or Japan (or Sweden, in the case of the jet fighter contract). France also has openly advocated for Brazil to have "a seat at the table," including reform of the International Monetary Fund to favor emerging countries and a permanent seat on the UN Security Council (Ref A). In return, France stands to gain a powerful partner in the developing world and a launching point for its next planned forays into Mexico, Argentina and Chile.

Global Ambitions: The G-20, Copenhagen Summit, and Development

¶10. (C) Brazilian contacts believe that France reinvigorated the partnership out of a perceived necessity to partner with emerging countries, and the French MFA's Brazil desk confirmed that the partnership has global ambitions -- while striving to be "balanced and mutually beneficial." According to the desk, France has "courted the favor of the Southern giant" in order to have a clearer picture of the aspirations of all countries in the Southern Hemisphere.

¶11. (SBU) At the Aquila Summit in July 2009, France and Brazil called for an "Alliance for Change," or G-14 with South Africa, Brazil, China, India, Mexico and Egypt, something for which Sarkozy has long advocated and promised to implement during the French G-8 presidency in 2011 (Ref A). The Alliance for Change would work on reforming the international system and reorienting it toward the emerging economies and their increasing importance as consumers of global production. The formalization of the G-20 as the premier forum for international economic issues has more than realized this objective. The September 2009 Franco-Brazilian Joint Declaration states that the G-20 summits have "proved that the Franco-Brazilian dynamic is pertinent and necessary." Both countries seem intent on using this new North-South partnership as essential leverage in future international fora. The global objectives of the strategic partnership became even more evident on November 14 with announcement of a Franco-Brazilian proposal to obtain an "ambitious" agreement at the upcoming Copenhagen Summit on climate change (Ref D).

¶12. (C) Finally, France and Brazil, as global partners, plan to move beyond international financial system and climate change issues to development in third countries, notably Africa (Ref A). The MFA's Brazil desk said France was encouraging Brazil's engagement in Africa in order to counterbalance the rapidly increasing Chinese presence there, especially in countries where France's colonial legacy has left a precarious relationship. As part of the Alliance for Change goals for sustainable growth and crisis prevention, France and Brazil have focused on food security and agricultural development and the eventual reform of the Food and Agricultural Organization. Concrete three-party accords were signed this year to cooperate with Cameroon in aquaculture and with Mozambique in conservation farming and soil preservation, as well as work in Uganda. France and Brazil are also founding members of the UN's innovative financing arm, UNITAID, which currently taxes airline tickets to finance medication for HIV/AIDS, tuberculosis, and malaria in poor countries (Ref E).

Comment

¶13. (C) Under the aegis of cultural celebration and warm presidential ties, France has forged a strategic partnership with Brazil with sharp-eyed economic and geopolitical intentions. While France gains a toehold in Latin America and an emerging economic ally, Brazil gains legitimacy and clout. France and Brazil, two major

agricultural exporters, may face hurdles in this growing relationship, as well as frictions over intellectual property and problems related to the realities of military cooperation. But for the moment, both countries are putting on a strong and convincing show of mutual admiration and support.

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